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Reviews

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Reviews

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Improving Audit Productivity

by William E. Perry, Ronald Press, John Wiley & Sons, Inc., Somerset, New Jersey 08873, 1984, 305 pp., \$39.95.

"You cannot control what you cannot measure, and what you cannot measure, you cannot improve." This is the underlying theme of the book *Improving Audit Productivity*. The book addresses measuring, controlling, and improving the productivity of the audit function. It is based on the work of Dr. W. Edwards Deming who, shortly after World War II, pioneered work on achieving goals through improved levels of product quality. The author, William Perry, acknowledges that motivation and adoption of new methods by management often takes a long time.

A practical book, it begins with a section entitled, a "Roadmap through the Book" which includes an exhibit that indicates to the target audiences — corporate management, audit management, and staff auditors — which chapters are directed toward which audience. With many, many charts, exhibits and worksheets, *Improving Audit Productivity* could be used as a how-to reference guide. The realistic, systematic, and orderly presentation within each chapter identifies attributes, provides solutions for accomplishing objectives, and suggests methods for implementation. All chapters end with the chapter's factual information included in a self-assessment checklist.

This book contains many messages that should be reflected upon. One such message is the statement that "a no-response organization tends to stifle productivity." The author states that

many believe that it is better for an organization to be responsive rather than to be right. The author feels that the unresponsiveness of an organization to its people is usually directly related to the organizational structure and presents measures that audit management should use in the evaluation of the effectiveness of organizational structure. The responsiveness measures in *Improving Audit Productivity* fall into six categories.

1. Mean time for response to oral requests.
2. Mean time for response to written requests.
3. Turnover rate.
4. Absenteeism and tardiness.
5. Number of decision/information requests per audit.
6. Number of changes to audit policies, procedures and standards.

Perhaps the book's most interesting approach toward the evaluation of audit productivity is the recommended use of quantitative measures or metrics as a measure of audit productivity. Twenty-one auditing metrics are proposed along with the caveat that they not be used in their entirety and that they be used informally before formal adoption. Some examples of the auditing metrics discussed are the computation of:


- Benefits from audits/Cost of audits
State a return on investment in auditing.
- Cost of audits/Number of findings
Calculate the cost to locate an audit finding.
- Losses undetected during the audit process that occur or are identified within three months after audit/Total number of audits
Demonstrate the effectiveness of auditing in finding potential or actual losses.

All productivity principles described in this book are easy to understand. The author's opening statement is the primary misconception about productivity: that if workers work harder, productivity will increase. The two ways to increase productivity are to work faster and to work smarter. The biggest impediment is getting management to adopt these principles. The real tool to increasing productivity is to increase management and employee motivation. Although the many examples

relate to internal auditing, the principles should be of interest to public accountants.

The book appears to be a composite of the author's practical experiences as an auditor and as executive director of the Quality Assurance Institute which promotes quality within the data processing profession. This book is designed to explain the principles that make productivity work. Then, through the use of many exhibits, the practical application of these principles to the audit function is described. *Improving Audit Productivity* discusses methodology and how it may be adapted beneficially to the auditing profession.

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